

NEWS RELEASE

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DeNUCCI SAYS FRAMINGHAM PROVIDER'S LAX CONTROLS LEAD TO \$27,446 THEFT FROM CLIENTS' FUND

State Auditor Joe DeNucci reported today that poor financial controls by a Framingham-based provider enabled an employee to misappropriate at least \$27,446 in clients' money and use it for a variety of personal expenses, including airline tickets, hotel rooms, musical equipment, automobile repairs, cell phone charges, donations to evangelists, vitamins, and rental and condominium time sharing expenses.

According to DeNucci's audit, New England Aftercare Ministries, Inc. (NEAM), which offers residential programs for persons with substance abuse problems, allowed its former operations manager to handle all aspects of the client accounts, which is contrary to sound business practice. The Department of Public Health, which supplies most of NEAM's funding, asked DeNucci's office to investigate the matter after it learned of the theft.

"All human service providers should have strong financial controls to prevent this kind of abuse of clients' money," said DeNucci. "Fundamentally, there should be a segregation of employees' duties to provide a system of checks and balances."

DeNucci's audit determined that NEAM had no official written policies and procedures to control its clients' fund account. It was also learned that the agency permitted the former operations manager to use the clients' account as a petty cash fund, paying some of the agency's operating expenses with clients' money rather than reserving it for their personal expenses, as intended. Moreover, the former operations manager, without the knowledge or permission of the organization's executive director, obtained a debit card for the residents' fund account, enabling him to make direct withdrawals.

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DeNucci's audit found that from July 1, 1999 to September 25, 2000 the former operations manager used \$20,648 in debit card charges and \$3,845 in checks from the residents' account for his personal purposes. NEAM officials said that no records relative to transactions in this account were available prior to July 1, 1999. However, monthly bank statements provided by NEAM, dating back to April 1999, indicated that at least an additional \$2,953 in debit card charges were used for the personal expenses of the former operations manager.

In addition, DeNucci's audit disclosed that NEAM failed to establish adequate controls over its payroll records. Hourly employees and their supervisors did not sign their weekly attendance records and salaried employees were not required to keep any such records at all. Records pertaining to paid vacation and sick leave were also not maintained and the proper Internal Revenue Service form was not issued to one consultant. As a result, there is inadequate assurance that all of NEAM's payroll expenses of \$422,752 that were charged to state contracts were appropriate.

Finally, DeNucci's audit noted a general lack of adequate controls in other areas of NEAM's business operations, such as personnel and inventory matters, as well as the disbursement of agency funds.

